

White House anticipates “significant” deal with Republicans to slash social spending

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President Obama met Monday with Republican Senate Minority Leader Mitch McConnell and Democratic Senate Majority Leader Harry Reid in an effort to work out a bipartisan plan to cut trillions of dollars in social spending.

White House spokesman Jay Carney said after the meeting with Reid that “everybody believes a significant deal remains possible.” He added that Obama and the Democrats are pushing for a “balanced approach” to an agreement tied to the raising of the US debt ceiling. The US Treasury has said that the government will be unable to pay its bills after August 2 if the ceiling is not raised.

By “balanced” it is meant a deal that contains some token gestures—either the elimination of a few select corporate tax loopholes or minimal cuts in defense spending—that will give Democratic legislators political cover to vote for what all sides agree must involve major cuts in social spending.

Obama’s intervention comes after the well-orchestrated breakdown of talks involving Vice President Joseph Biden and a number of Republican and Democratic lawmakers. The group has reportedly reached agreement on at least \$1 trillion in cuts, but talks stalled over a blanket rejection by the Republicans of any revenue measures, such as the elimination of certain corporate tax breaks. The Republicans are instead seeking even deeper cuts as well as a hard spending cap.

Obama’s role will be to shift the balance of the discussion further to the right. The Democrats have already made clear that they won’t push for any increase in actual tax rates for the wealthy. The few corporate tax loopholes they are proposing to end are more than offset by the business tax reductions proposed by Obama as part of his “jobs program.”

Among the president’s tasks will be to bring into the discussion proposals for further cuts in Medicare and Medicaid, the main government health care programs. The Democratic Party’s health care overhaul last year already included major reductions in Medicare spending.

Very little has been said so far about the nature of the cuts that have been agreed on, with the discussion carried out entirely behind the backs of the American people. One Associated Press report last week indicated that included in the \$1 trillion was at least \$18 billion (and potentially as much as \$65 billion) in cuts to student loans.

According to the AP, the deal would also require federal workers to pay more into their pensions. “Democrats are wary and won’t allow the \$120 billion-plus sought by Republicans over the coming decade, but appear to be likely to accede to some of the savings.”

According to an article Sunday in the *Baltimore Sun*, there are also discussions on either cutting or restructuring the health care program for federal workers. Obama already imposed a two-year pay freeze on all 2.1 million federal workers late last year. The *Sun* reports that “lawmakers and observers alike predict that federal employees will face deeper cuts, regardless of who brokers the final deal.”

Pensions of state and local government workers are under attack in states throughout the country, under both Democratic and Republican-led administrations.

There is some indication that a final deal might include nominal reductions in military spending. An article in the *Washington Post* on Sunday noted: “Senior GOP lawmakers and leadership aides said it would be far easier to build support for a debt-reduction package that cuts the Pentagon budget—a key

Democratic demand—than one that raises revenue by tinkering with the tax code.”

The cuts would come to incidentals and would amount to a tiny fraction of overall military spending. Democrats have themselves indicated a preference for such cuts instead of tax measures. The *Post* quotes Massachusetts Congressman Barney Frank as saying, “If we can get \$100 billion from reducing unneeded military spending, that’s better than \$100 billion in taxation.” Spaced over ten years, \$100 billion represents about one one-hundredth of overall military spending.



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